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ABSTRACT

This description of the Tennessee equalization plan consists of (1) a description of Tennessee's current public school finance program: (2) recommendations for change in the existing program: (3) a description of the conformance of the recommended changes to the equity guidelines developed by the United States Commissioner of Education pursuant to Section 842 of Public Law 93-380: and (4) a brief summary report of major activities, procedures, and products related to the development of the equalization. The recommended changes are intended to be helpful to all those who make or help make policy relating to the financing of the public schools in Tennessee, including the general public. (Author/IRT)

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STATE EQUALIZATION PLAN

FOR

FINANCING THE PUBLIC SCHOOLS

IN TENNESSEE

Prepared by
The Tennessee School Finance Equity Study
James E. Gibbs, Director

October 1979

Revised Edition

EA 012 285

FOREWORD

The State plan presented herein was prepared by the School Finance Equity Study Project in conformity with the provisions of Section 842, Public Law 93-380. This edition contains revisions based on findings of studies completed since the August 1978 State plan was prepared. The plan is composed of (1) Tennessee's current public school finance program and (2) recommendations for change in the existing State public school finance program. Hopefully the program description and the recommendations will be useful in considering improvements in the equity and adequacy of Tennessee's present program for financing public education.

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INTRODUCTION

The primary goal for the public schools of Tennessee, as for those of the Nation, is to provide every individual appropriate educational opportunities to develop as fully as possible for living effectively and for earning a living. Equitably financing the public schools requires suitable measures and procedures for allocating necessary funds to areas of activity where teaching and learning occur. Maintaining appropriate levels of equity and adequacy requires continuous updating of these measures and procedures. Required also is a State-local tax system that is equitable, efficient and productive and that contributes appropriately to the economic development of the State.

The total program for financing public education is inherent in our system of representative democracy. The fiscal needs of the schools are determined by educational needs. As the public schools themselves are products of the community so are their programs shaped by it. Parents and citizens through their representatives at each level of government - local, State and federal - arrive at operational definitions of needs. Instructional programs and supportive services are designed and funds allocated in ways that are presumed to meet the needs of students. Educational needs and the costs for providing them vary among individuals, and in the aggregate they vary among school systems. Differences also exist in priorities for using always limited funds.

During 1976 the General Assembly of the State of Tennessee conducted a major study of the State Minimum Foundation Program as it related to the distribution of State funds to local school systems. A broad based Joint Legislative Committee on elementary and secondary school finance was established early in that year for the purpose of considering changes in the foundation program. Representatives of various groups interested in public education were included on the committee along with key legislators. The work of the Joint Legislative Committee had been preceded by that of the Tennessee Tax Modernization and Reform Commission (Chapter 746, 1972 Tennessee Public Acts) whose final report was issued in March 1974. The

Commission had considered alternatives to the existing State and local tax structure including alternative methods of financing public school systems; the fiscal relationship between the State and local governments; methods by which the State and local tax structure could be made responsive to economic growth; and methods of distributing the State and local tax burden more equitably.

In May 1977 the Ninetieth General Assembly enacted "The Tennessee Education Finance Act of 1977" (Chapter 289, 1977 Tennessee Public Acts) establishing a new procedure for the funding of education for the public schools, grades kindergarten (k) through twelve (12) and providing for the funding of educational purposes other than current operation of student transportation. A weighted pupil approach to measuring educational need and cost replaced the former procedures, and a new measure of the relative taxpaying ability of Tennessee counties based on assessed valuation of taxable property adjusted for property equivalents for T.V.A. payments in lieu of taxes replaced the economic index which had been used since 1955. In a separate act, the General Assembly also enacted a new formula outside the State equalization plan (The Tennessee Foundation Program or TFP) for allocating State funds for student transportation services (Chapter 290, 1977 Tennessee Public Acts). The problems of equity were addressed to a limited extent. An improved delivery system was deemed necessary and with a new system in operation, equity problems could be approached more effectively.

In 1977 after enactment of the new legislation the Joint Legislative Committee voted unanimously to cooperate with the State Commissioner of Education in making a detailed study of the equity of the State's new public school finance program. Subsequently the Commissioner of Education applied for and received funds under Section 842, Public Law 93-380 to cover a large part but not all of the costs of conducting the study and assisting in developing and implementing proposed improvements in the State equalization plan. The strategy for accomplishing the tasks outlined involves a joint effort of the Tennessee Department of Education and the General Assembly of the State of Tennessee through the Joint Legislative Committee on Elementary and Secondary School Finance.

A small temporary project staff in the Department of Education was recruited for the activities of the project. The staff was composed of persons obtained either by contract or on loan from other governmental agencies involved in public education, i.e., the project director was loaned by the U.S. Office of Education through the Intergovernmental Personnel Exchange Act; two assistant project directors by contract with Middle Tennessee State University and Metropolitan Board of Education of Nashville and Davidson County, Tennessee, respectively; an editor-analyst from the Senate Education Committee, Tennessee General Assembly; and a secretary from the Tennessee Department of Education. The study activities of the School Finance Equity Project were conducted: (1) by the staff of the project, with some assistance from the regular staff of the Department of Education; and (2) through contractual arrangement with consultant authorities on school finance within and outside the State.

This equalization plan was prepared by the Director of the Tennessee School Finance Equity Study Project with the assistance of the project staff and by drawing upon the expertise of State Department of Education staff and outside consultants. The plan description consists of: (1) a description of Tennessee's current public school finance program; (2) recommendations for change in the existing State public school finance program; (3) a description of the conformance of the recommended changes to the equity guidelines developed by the U.S. Commissioner of Education pursuant to Section 842 of Public Law 93-380; and (4) a brief summary report of major activities, procedures, and products related to development of the State Equalization Plan. The recommended changes set forth herein represent conclusions and recommendations drawn from the activities of the Tennessee School Finance Equity Study Project. They do not necessarily reflect the position or policy of The General Assembly, State officials, or the U.S. Office of Education. They are intended to be helpful to all those who make or help to make policy relating to the financing of the public schools in Tennessee including the public, The General Assembly and its committees such as The Joint Legislative Committee on Elementary/Secondary School Finance, the Governor and the Commissioner of Education, The State Board of Education, local school district officials, and State-wide and local organizations interested in education.

SECTION I

TENNESSEE'S CURRENT PUBLIC SCHOOL FINANCE PROGRAM

This section provides a narrative description of Tennessee's present plan for financing the public schools, Grades K-12. The section is divided into four major parts. The first part, entitled "Selected Program Facts," summarizes the principal features of the overall public school finance program - State, Local and Federal. The second part is entitled "State Support, 1978-79" and describes each State support program, giving the legal citation, the amount allocated and the percent that this amount represents of: (1) State funds allocated; and (2) total State and local funds allocated. The third part, entitled "Local Support, 1978-79" describes the major characteristics of the local support program. The fourth part, entitled "Federal Support, 1978-79," summarizes the federal categorical support programs which supplement State and local public school support programs.

Selected Program Facts

Primary support for the public schools is provided jointly by the 95 counties and the State. The 37 cities and 16 special districts which operate schools provide additional funds supplemental to State funds and to a pro rata share of county funds. Total State and local expenditures viewed together average 52 percent State and 48 percent local. Overall revenues for the public schools exclusive of State retirement and social security contributions approximate 45 percent State, 41 percent local and 14 percent federal. If State payments for retirement and social security are included the figures become 50 percent State, 37 percent local and 13 percent federal.

State Support

State support for the public schools is derived mainly from portions of the State sales and tobacco taxes which are earmarked for schools. In practice, State public school funds are provided through legislative appropriation. Less than one-half of one percent is derived from permanent school endowments.

The basic State support for the current operation of the public schools is provided through the Tennessee Foundation Program (TFP) which is a State-local partnership equalization program based on a weighted pupil formula for determining costs. The formula consists of a base amount per pupil - adjusted for the additional costs of meeting the special needs of students in State specified academic, vocational and handicapped children programs. This is adjusted in turn for costs for training and experience of teachers. The TFP is funded overall 90 percent from the State and 10 percent from local county revenues. The TFP provides approximately 43 percent of the revenues for the current operation of the public schools. State categorical funding accounts for an additional 4 percent. Federal funding accounts for an additional 14 percent, and local unequalized funding accounts for 37 percent of total current revenues.

State categorical (specific purpose) funds are provided for: Vocational/ Technical Education, Area Vocational Schools, Textbooks, Educational Television, Driver Education, Sick Leave for Teachers, Pupil Transportation, School Food Services, Retirement Contributions and Social Security Contributions for personnel.

Special schools or school programs are operated directly by the State for the blind, deaf, deprived and neglected children and the York Institute. Administrative, leadership and supervisory services are provided at the State level also.

A separate State capital outlay and debt service program allocates to local school districts $11,904,600 of State capital outlay funds annually on an equalizing basis, that is, proportionately larger amounts per pupil are distributed to school districts in counties with low local taxpaying ability than in counties with high local taxpaying ability. In addition, the Comprehensive Vocational-Technical Education Act of 1973 provides for all capital costs for vocational-technical education facilities to be borne by the State. In 1974 the General Assembly authorized the sale of $197,000,000 general obligation bonds to be added to a previous appropriation of $7,500,000 for the expansion of vocational-technical facilities. Thus far 183 facilities plus seven (7) equipment only projects have been approved. Five additional facilities were in the planning stage in the fall

of 1979. During the 1977-78 school year, 68 percent of the students in grades 9-12 were enrolled in a vocational subject (including Homemaking) and almost 55 percent were in occupational vocational education.

Local Support

County-wide taxation provides the basic local support for public schools. County revenues for current operation of the schools is apportioned among local education agencies (LEA's) therein on the basis of weighted full time equivalent average daily attendance (WFTEADA) for the current school year. County-wide tax revenue is derived from: property taxes 65 percent, local option retail sales taxes 33 percent, and miscellaneous revenues 2 percent.

In addition to receiving from the county in which they are located their full proportionate share of county taxes, the thirty-seven cities and sixteen special school districts raise additional funds from local tax sources. Of all local support for the public schools approximately 85 percent is derived from county-wide tax sources. The remaining 15 percent represents the additional funds from local tax sources raised by the cities and special school districts.

The Constitution provides for classifications of property for tax purposes. Real property is required to be assessed: farm and residential at 25 percent of value, industrial and commercial at 40 percent, public utilities at 55 percent. Tangible personal property of individuals is assessed at 5 percent of value, however, there is a $7,500 exemption. Other personal property is assessed: commercial and industrial 30 percent and public utilities 55 percent.

Of the local tax revenue for public schools approximately 11 percent constitutes the local contribution toward the cost of the Tennessee Foundation Program (for current operation) and another 2 percent represents the calculated, but not required local share of the foundation program for capital outlay. The remaining 87 percent of local tax revenue is not equalized by State funds.

There is no limit on local county property tax rates. Local option retail sales tax rates which must be approved by the voters through referendum

are limited to 1/2 of the State rate, and at least one-half of the proceeds must be distributed and expended in the same manner as the county property tax for school purposes. Tax levies for debt service are separate from and in addition to other taxes levied for public school support.

Federal Support

Federal assistance for the public schools (amounting to approximately 14 percent of the total current operating costs) is derived from several categorical programs and is supplemental in nature. The largest in terms of current support levels of the assistance programs is that for School Food Services under P.L. 91-248. Almost equal in size is the compensatory education of educationally deprived children of low income families funded under Title I of P.L. 89-10 and P.L. 93-380.

Three federal assistance programs which rank next and near each other in size are: the Vocational Education Program authorized under P.L. 94-482; the Services for the Handicapped Program authorized under P.L. 93-380 and P.L. 94-142 and the program for Federally Impacted Areas, authorized under P.L. 81-874, Title I and IV. Other Federal assistance programs include: Library/Learning Resources provided under P.L. 93-380, Title IV B; Innovative Programs under P.L. 93-380, Title IV C; Assistance for Indo-China Refugee children provided under P.L. 93-380, Title II, A.

The Total School Finance Support Program

The State, local, and federal support patterns described above constitute Tennessee's total support program. Chart I presents a profile of the revenues for this program in which "A" represents the State's share of the TFP; "B" represents the share of the TFP derived from local taxes; "C" represents State "guarantee" funds; "D" represents State categorical funds; "E" represents local tax revenues unequalized by the State. "A" through "E" represents the sum of State and local tax revenues for public education and "F" represents federal funds. The same information is presented in Table 1 in tabular form.

The Total Support Program

State and local support supplemented by federal assistance for specific purposes together constitute Tennessee's public school program. In the accompanying chart revenues from State, local and federal programs in 1977-78 are shown. LEA's are ranked in groups in terms of revenue from State and local sources per adjusted WFTEADA*. As this chart indicates most of the disparities in revenues per adjusted WFTEADA occurs in unequalized local funding outside the local share of the TFP.

A - State share of TFP
B - Local share of TFP (Equalized)
C - State Guarantee (T.C.A. 49-607)
D - State categorical support (includes: transportation, textbooks, leave for teachers, capital outlay, driver education, and vocational education)
E - Unequalized local support
F - Federal funds

*(WFTEADA + weighted identified & served handicapped) x T and E factor

Number of Districts	Percent of State WFTEADA
4	2.1
1	8.9
1	3.3
1	13.3
5	4.9
3	5.0
6	2.9
5	4.5
7	5.2
12	5.7
7	4.5
8	5.3
14	4.5
10	5.0
14	5.0
11	5.0
13	5.8
10	4.7
16	4.4

CHART I: PROFILE OF REVENUES FOR PUBLIC SCHOOLS, 1977-78

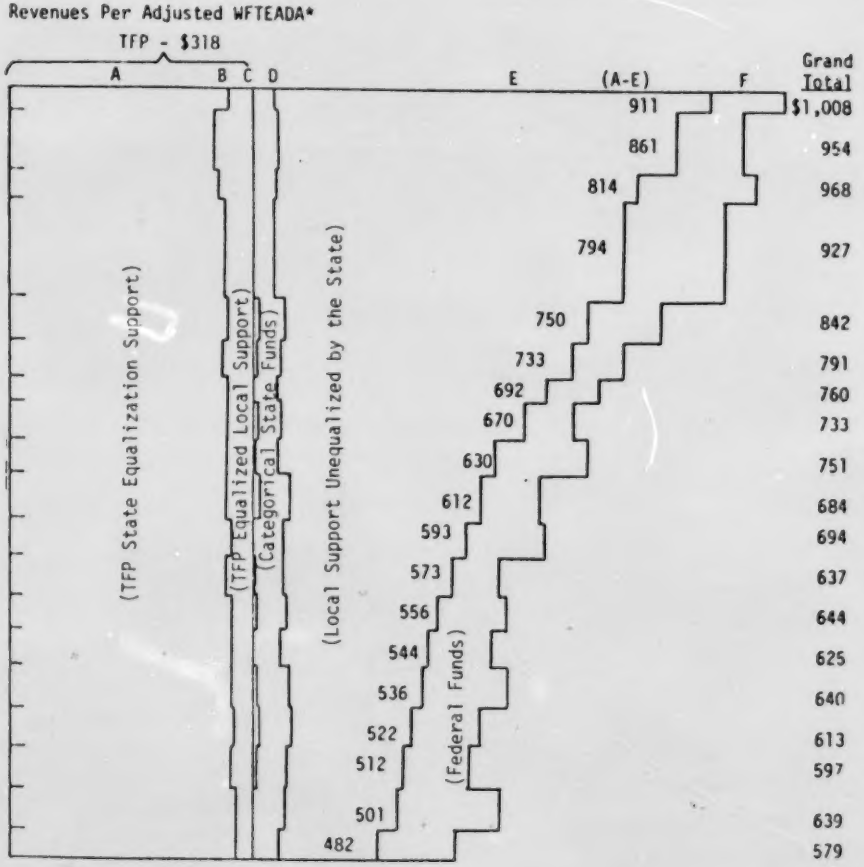

TABLE 1

GROUP AVERAGE[a] REVENUES FOR PUBLIC SCHOOLS, 1977-78

(Grouped by Level of State-Local Revenue per Adjusted WFTEADA[b])

Group	Number of Districts	Percent of State Adjusted WFTEADA[b]	State Share of TFP	Local Share of TFP	State Guarantee Funds[c]	State Categorical Grants[d]	Local Support Unequalized By State[e]	Total State-Local Funds	Federal Funds	Grand Total
1	4	2.1	$ 287	$ 31	$	$ 26	$ 567	$ 911	$ 97	$1,008
2	1	8.9	265	33		30	513	861	93	954
3	1	3.3	276	42		28	468	814	154	968
4	1	13.3	279	39		25	451	794	133	927
5	5	4.9	285	33	5	33	394	750	92	842
6	3	5.0	278	40	3	26	386	733	58	791
7	6	2.9	288	30	-f	28	346	692	68	760
8	5	4.5	288	30	2	30	320	670	63	733
9	7	5.2	289	29	1	32	279	630	121	751
10	12	5.7	288	30	4	37	253	612	72	684
11	7	4.5	294	24	-f	35	240	593	101	694
12	8	5.3	288	30	1	33	221	573	64	637
13	14	4.5	293	25	3	37	198	556	88	644
14	10	5.0	293	25		32	194	544	81	625
15	14	5.0	293	25	3	40	175	536	104	640
16	11	5.0	297	21	4	38	162	522	91	613
17	13	5.8	293	25	2	36	156	512	85	597
18	10	4.7	299	19	-f	40	143	501	138	639
19	16	4.4	299	19	-f	35	129	482	97	579

[a]Group average computed by dividing aggregate group revenue by total group weighted pupil ADA

[b](WFTEADA + identified and served handicapped) x T and E factor

[c]T.C.A. 49-607

[d]Includes transportation, textbooks, leave for teachers, capital outlay, driver education, and vocational education

[e]Source: Budget Documents - 1977-78

[f]LEA received guarantee amount of less than .50 per WFTEADA

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.			Percent of State	Percent of State and Local	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
TOTAL (CURRENT OPERATION)		$496,386,862	100%	52%	
BASIC STATE SUPPORT PROGRAM					
TENNESSEE FOUNDATION PROGRAM (TFP) (T.C.A. 49-602 - 49-607)					
Level of Funding: State Share	90%	$430,704,400	87%	45%	
Local Share	10%	47,847,100			
Total TFP	100%	$478,551,500			

Program Description

The basic State support mechanism for funding the public schools grades K-12 is the Tennessee Foundation Program. This is a State-local partnership equalization program which provides about 44% of the total current operating costs for the public schools. The Tennessee Education Finance Act of 1977 made importa t changes in the procedures for determining the cost of the foundation program and the amount of State funding allocated to each local education agency (LEA). A new weighted pupil formula for determining education need and cost was adopted. Also the assessed value of taxable property (adjusted by property equivalents for TVA payments in lieu of taxes) replaced the economic index in determining the local contribution to the cost of the foundation program.

Under the weighted pupil formula the State Board of Education, as approved by the Commissioner of Education, annually establishes the education programs to be funded the following year nd cost differentials for calculating weighted full time equivalent pupils served under each. The SEA

TFP Funds for Each LEA

The total TFP funds (State and local) for each LEA are computed as follows:

(1) Multiply the total FTEADA of each regular academic and vocational education program of the LEA by the appropriate cost differential for such program, which yields the WFTEADA of each program.

(2) Sum the WFTEADA's for all regular academic and vocational education programs, which yields the total WFTEADA's for the LEA.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
determines a training and experience cost adjustment factor for each LEA. The State Board determines a base cost per WFTE pupil by dividing the State TFP appropriation by the product of the total WFTE pupils in the State and the State average training and experience factor. The foundation program funding for each LEA equals the product of the base amount times the sum of the weighted full time equivalent students in average daily attendance (WFTEADA) in the various programs added to the number of handicapped pupils identified and served times the training and experience factor for the particular LEA. Overall the foundation program is funded 90% by the State and 10% by local governments. Each LEA's share depends, however, upon the local county's percentage of the assessed value of taxable property wealth of the State. Property valuations are adjusted by property equivalents for any payments in lieu of taxes made any county by the Tennessee Valley Authority. The actual local shares vary among LEA's from 3.1% to 21.5% of the cost of the foundation program (exclusive of guarantee payments). If more than one LEA exists within a county, each LEA's share is proportional to its WFTEADA. The State equalization payment to each LEA is the remainder after the local share is subtracted from the total foundation program amount for the LEA. The instructional programs, cost differentials (FTEADA weightings) for the various programs, the training and experience factor and the estimated funding base allocation per WFTEADA included in the foundation program are as follows:	(3) Multiply the number of identified and served handicapped students during the preceding year by the cost differential for special education, which yields the add on weighted identified and served handicapped. (4) Sum the total WFTEADA and the weighted identified and served handicapped for each LEA; multiply this sum by the base cost, which yields the total base program cost for each LEA. (5) Multiply the total base program cost for each LEA by the LEA's training and experience factor, which yields the total TFP funds for the LEA. State-wide TFP The total (overall) Tennessee Foundation Program funding is the sum of the total funding for each LEA. This total amount is funded ninety percent (90%) by the State from State revenues and ten percent (10%) by the LEA's from local revenues. Local Contribution of each LEA to Cost of the Foundation Program The amount of the total Tennessee Foundation Program which is contributed by each LEA is calculated as follows:

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.

Program	Cost Differentials 1977-78	1978-79
Regular Academic		
Grades K-3	1.20	1.245
Grades 4-6	1.00	1.00
Grades 7-8	1.10	1.10
Grade 9	1.20	1.20
Grades 10-12	1.30	1.30
Vocational Education		
Agriculture (12 mos.)	2.62	2.62
Vocational Home Economics	2.10	2.10
Health Occupations	2.10	2.10
Trade & Industrial	2.48	2.48
Related Trade & Industrial	1.84	1.84
Office Occupations	2.04	2.04
Distributive Education	2.04	2.04
Special Education		
Add on Weighting per Handicapped Pupil Identified and Served	1.07	1.152

The Training and Experience Factor

The training and experience factor for each LEA is determined annually by the SEA by dividing the average salary under the State salary schedule of all certified personnel (teachers, supervisors, school principals and superintendents) employed by the LEA on December 1 of the current fiscal year by the State salary schedule amount for a person with a bachelor's degree and no experience. Each LEA's T & E factor for any year is calculated after December 1 of that year. In 1977-78 the LEA training and

Calculation of State and Local Share of Program Cost; Extent of School District Participation.

(a) Determination of the adjusted county property values is made as follows:

(1) Obtain the most recent payments in lieu of taxes paid by the Tennessee Valley Authority directly to individual counties and to the State for distribution to individual counties as are available on March 1. The total amount of such payments received by each county shall be converted to an equivalent amount of assessed property value by using the current individual county tax rate available on March 1. Where multiple county tax rates exist, the highest rate is used.

(2) Obtain the total assessed valuation for the county from the most recent Tax Aggregate Report of Tennessee by the State Board of Equalization as is available March 1 each year.

(3) The adjusted county property value is the sum of the total assessed valuation of the county and the county property equivalent of TVA payments in lieu of taxes as calculated in subsection one (1) above.

(b) The adjusted State property value is the total of all the adjusted county property values.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.

experience cost adjustment factors ranged from 1.237 in Davidson-Nashville to 1.119 in Grundy County, averaging 1.179 for the State as a whole.

The Funding Base

The foundation program funding base per WFTEADA is determined by dividing the annual appropriation for the foundation program by the product of the State training and experience factor and the sum of the total State weighted full time equivalent ADA under each regular academic program and each vocational program, added to the total weighted identified and served handicapped in the State. In 1977-78 the base support level was $318 per WFTEADA. In 1978-79 the base amount per WFTEADA was $342. This compares with estimated equivalent expenditures in 1977-78 of $832 per WFTEADA.

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Guarantee Provisions

Each LEA is guaranteed in State foundation funds (1) an amount not less than the amount it would have received in 1977-78 under the provisions of Title 49 in effect prior to July 1, 1977, and (2) a sum sufficient to pay any increases in salary for required certificated personnel mandated by the State in any subsequent year. Under the first guarantee provision State funds (in addition to the State share of the TFP) amounting to $2,011,916 were paid in 1977-78 to 42 LEA's. The additional amount of State funds per WFTEADA ranged from $1.41 in Clay County to $47.07 in Trousdale County.

Additional Provisions and Requirements

1. At least 85% of TFP funds must be spent in program where generated. (T.C.A. 49-605)

2. Each LEA must maintain a local salary schedule equal to State minimum salary schedule for certificated personnel. (Chapter 705, 1978 Tennessee Public Acts)

(c) The percent of relative property value for each county is established by dividing the adjusted county property value by the adjusted State property value.

(d) The county local contribution is calculated by applying the county's percentage of relative property value to ten percent of the total TFP funds for all LEA's.

(e) In counties where more than one LEA exists, each LEA must bear its proportionate share of the county local contribution based on the WFTEADA in each LEA for the preceding year.

State Contribution to Cost of TFP

The State contribution of funds to each LEA is the remainder after the local contribution has been subtracted from the total funding of the TFP for such LEA for that year.

School District Participation

All 148 LEA's participate in the foundation program as equalizing school systems. Forty-two received additional State funds under the Guarantee Provision (1) in 1977-78.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
3. Each LEA must provide from local funds an $850 per school year salary supplement for all certificated teachers with a degree. (Item 12, Section 12, Chapter 458, 1978 Tennessee Public Acts) 4. LEA's must operate schools in accordance with State law and State Board Regulations and Minimum Standards, e.g. maintain at least 175 days school term plus 10 days inservice training. (T.C.A. 49-613) 5. LEA's must maintain a teacher-pupil ratio of no more than 1-25 in Grades K-3 and a ratio in Grades 4-12 as established by the State Board of Education. (Chapter 809, 1978 Tennessee Public Acts) 6. LEA's must submit complete budgets for the current school year by June 30 and accurate financial reports for the school year ending by August 1 of each year before receiving TFP funds. (T.C.A. 49-615) 7. Every school board shall employ principals for the public schools under their jurisdiction, and LEA's must employ guidance and system-wide positions according to tables set by the State Board. (T.C.A. 49-253; Rules, Regulations and Minimum Standards, 1977-78, Tennessee State Board of Education, pp. 19, 20) 8. LEA's shall furnish Library Media Services for each school appropriately staffed and equipped depending on the size of the school. (Rules, Regulations and Minimum Standards, 1977-78, Tennessee State Board of Education, pp. 65-68) 9. Each school system shall furnish pupil personnel services including attendance services, guidance services, school health services, and school psychological services. A school social work program is optional. (Rules, Regulations and Minimum Standards, 1977-78, Tennessee State Board of Education, pp. 68-74) 10. All school systems shall provide all regular and special education, corrective and supporting services required by handicapped children to the end that they shall receive the benefits of a free public education appropriate to their needs. (T.C.A. 49-2913)	

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.

CATEGORICAL SUPPORT PROGRAMS

VOCATIONAL AND TECHNICAL EDUCATION
(T.C.A. 49-617; T.C.A. Title 49, Chapter 27)

Level of Funding:	$ 5,250,000	1%	.6%

In addition to the TFP allocations for seven categories of vocational education, the State allocates approximately the above amount to match federal funds for cooperative efforts with county and city school systems in establishing and maintaining vocational programs. This funding helps to implement legislation enacted in 1973 requiring that comprehensive education programs be made available to all students in grades 9-12 and that counseling be made available in grades 7-12. During the 1977-78 school year, 68 percent of the students in grades 9-12 were enrolled in a vocational subject including Homemaking and almost 55 percent were enrolled in occupational vocational courses. (See also Federal Support, 1978-79)

Allocation of Funds

Criteria for allocating funds to LEA's and relative weight each are:

Relative ability to pay	35
Concentration of low income families	25
Vocational education needs	20
Manpower needs	20

Extent of School District Participation

In 1977-78, one hundred twenty-nine (129) LEA's participated in these funds and the four (4) totally State supported special schools.

AREA VOCATIONAL-TECHNICAL SCHOOLS
(T.C.A. Title 49, Chapter 26; T.C.A. 49-2709)

Level of Funding	$ 767,780*	Less Than 1%	Less Than 1%

Instructional programs of the twenty-nine (29) area vocational-technical schools are directed primarily toward post high school, both graduates and under graduates, and adults in need of occupational training or retraining. However, in 1977-78, a total of 1,374 secondary students (678 FTE's) attended these schools for high school credit. Such secondary students are

* This amount represents 5.2% of the total appropriation for the Area Schools.

State and Local Share

The area vocational-technical schools are totally State funded with supplemental Federal funds. No transfer of funds from LEA's is required for enrollment of secondary students.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
enrolled for three hours a day in these schools by agreement with the local LEA. The total enrollment in these schools for 1977-78 was 26,190 students.	
SICK AND PROFESSIONAL LEAVE FOR TEACHERS (T.C.A. 49-611; 49-1314) Level of Funding: $ 4,041,200 1% .4% Teachers in each LEA are allowed one day of sick leave for each month worked with unlimited accumulation and two days per year professional or personal leave non-cumulative. Unused accumulated sick leave may be counted as work experience at time of retirement.	State Share 50 percent Local Share 50 percent The State reimburses LEA's for substitute teachers used for teachers on approved leave at the rate of 50% of the cost paid to substitutes.
TEXTBOOKS (T.C.A. 49-609) Level of Funding: $ 6,447,500 1% 17% State funds are provided for the purchase, repairing, and rebinding of textbooks and for instructional materials for kindergarten pupils. All children enrolled in each LEA must be furnished textbooks approved by the State Textbook Commission and as adopted by the local board of education. The LEA superintendent is required to certify by December 1 to the State Commissioner of Education that all children have been furnished the required textbooks. State textbook funds represent approximately 87 percent of total expenditures for textbooks by LEA's.	State Share Each LEA receives $7.50 per pupil in average daily attendance during the preceding school year. To this amount is added $12.50 per pupil in average daily attendance for the increase in ADA for the immediate past school year over that of the school year preceding. These amounts were increased to $8.75 and $13.75 respectively in 1979-80.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
	Local Share Such amount as may be necessary to enable the LEA to meet the requirement to furnish all children enrolled in the LEA the required textbooks. **School District Participation** All 148 participate.
STUDENT TRANSPORTATION SERVICES (T.C.A. 49-608) Level of Funding: $ 16,573,000 3% 2% Assistance is provided toward the total cost of student transportation services for students in grades K-12 who live one and one-half (1½) miles or more from the school to which they are assigned. All public local education agencies operating an approved transportation system are eligible for State assistance. Additional local funds amounting to approximately $32,000,000 are allocated for student transportation. Guarantee Provisions Each LEA is guaranteed to receive in State transportation funds one hundred percent (100%) of the amount received in the 1976-77 school year up to $960,000; however, any county receiving in excess of $960,000 in the 1976-77 school year shall receive one hundred percent (100%) of this amount in 1977-78, and each year thereafter for the next five years, the amount in excess of $960,000 shall be reduced by no more than twenty percent (20%)	**State Share** 100 percent (100%) of calculated amount Sixty percent (60%) of the State appropriation is allocated on a per eligible student transported the previous year. The remaining forty percent (40%) is distributed on the basis of the geographical area of each county expressed in square miles. **Local Share** LEA's are not required by State law to furnish transportation services, but any LEA furnishing pupil transportation and participating in State transportation funds must fund such services at a level consistent with State and Federal safety standards.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
SCHOOL FOOD SERVICES (T.C.A. 49-612; Public Law 91-248) Level of Funding: $ 3,600,000 1% .4% A matching amount for the school food program as required in Public Law 91-248 is appropriated annually. Funds are distributed according to rules and regulations of the U.S. Department of Agriculture, as approved by the State Commissioner of Education. Funds are provided to lower the cost of meals for all students, to provide free or reduced-price meals for some students, to provide free milk and to improve food services through the purchase of equipment for storage, transportation and preparation of food.	School District Participation All 95 county school systems participate plus 20 city and special school districts. In 1977-78 the guarantee provision covered 26 LEA's at an additional cost of $1,210,887. In 1978-79 eight (8) systems were covered by the guarantee at an approximate cost of $600,000. State Share The State share as required by Public Law 91-248 is appropriated annually. The State appropriation for 1978-79 is about six percent (6%) and the federal share is about ninety-four percent (94%) of the total State/federal funds for school food services. Local Share In 1978-79 LEA's spent an estimated additional amount of $12,000,000 on school food services. School District Participation In 1978-79, all except one (1) of the 148 LEA's participated.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
DRIVER EDUCATION (T.C.A. 49-115; T.C.A. 59-1043) Level of Funding: $ 444,200 Less Than 1% Less Than 1% Designed and coordinated by the State Departments of Education and Safety, this program provides driver education in secondary schools. LEA's may offer driver education as an elective one-half unit course to students, age 15 and above. Funds are derived from a $2.00 fine for moving traffic violations (T.C.A. 59-1043) and additional appropriations from the General Fund.	School District Participation In 1977-78, some 123 systems participated in driver education programs.
STATE OPERATED PROGRAMS STATE ADMINISTRATION (T.C.A. Title 49, Chapter 1) Level of Funding: $ 4,105,200* 1% .4% The administrative division, responsible for central office administration of the State Department of Education, includes the Commissioner's Office and administers the legal, fiscal and personal affairs of the State Department. Other activities include systems development, planning and evaluation, teacher certification and supervision of the foundation program, special and field services, district offices and the Textbook Commission.	State Share 100 percent
* This amount includes administrative costs for adult continuing educational programs.	

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
EDUCATIONAL TELEVISION (T.C.A. Title 49, Chapter 38) Level of Funding: $ 771,382 — Less Than 1% — Less Than 1% The Educational Television Commission has the responsibility for operating a network so that every school in the State is within range of one or more ETV stations. In addition to the students in public schools, K-12, ETV provides cultural enrichment and programs of general interest to the non-student population. The indicated level of funding represents 38.6 percent of the total State appropriation - the amount devoted to classroom instruction for grades K-12. This prorated amount will be supplemented by approximately $153,900 of Federal funds. (See Federal Support)	State Share 100 percent Local Share LEA's are required to pay twenty-five cents (25¢) per child for materials used in conjunction with educational television programs. School District Participation All participate
SPECIAL SCHOOLS (T.C.A. 49-621) Level of Funding: $ 11,777,600 — 2% — 1%	
Tennessee School for the Blind (T.C.A. Title 49, Chapter 30) — $2,513,400 Tennessee School for the Deaf (T.C.A. Title 49, Chapter 31) — 3,671,800 West Tennessee Center for the Deaf (T.C.A. 49-3102) — 554,800	State Share 100 percent Local Share These schools are fully funded by the State and no local funds are required for their support.

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
Tennessee Preparatory School $4,346,200 (T.C.A. Title 37, Chapter 3) (School for neglected, indigent, or orphaned children)	
Alvin C. York Institute 691,400 (T.C.A. 49-107) (A typical rural high school serving Fentress County as a memorial to York)	
RETIREMENT ACCUMULATION FUND (T.C.A. Title I, Chapter 39 - Consolidated Retirement System, 1972) (T.C.A. Title 49, Chapter 15 - Teachers Retirement System, Repealed 1972) Level of Funding: $ 93,316,900	
The State amount allocated for teachers' retirement is 15.29 percent of the gross salaries of all certificated personnel. Generally such personnel contribute five percent (5%) of gross salary up to Social Security level and five and one-half percent (5½%) above the Social Security level.	State Share 100 percent for certificated personnel. The appropriation is retained in the State Retirement Accumulation Fund to pay retirement benefits to eligible retired personnel. Local Share LEA's can choose to join the Tennessee Consolidated Retirement System and pay the employer contribution for non-certificated personnel, e.g. janitors, food service personnel, bus drivers.

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Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
SOCIAL SECURITY CONTRIBUTIONS (T.C.A. 49-1509, repealed 1972) Level of Funding: $ 29,797,800 This appropriation represents the employer's share of the cost of Social Security coverage for class "A" members (those also covered by Social Security) of the Teachers' Retirement Fund. About 95 percent of certificated personnel participate in both State Retirement and Social Security.	State Share The State pays 100 percent of the employer's share of F.I.C.A. costs for all certificated personnel. Local Share LEA's pay F.I.C.A. costs for non-certificated personnel.
CAPITAL OUTLAY CAPITAL OUTLAY EQUALIZATION PROGRAM (T.C.A. 49-610) Level of Funding: $ 11,904,600 2% 1% The State appropriates funds annually for distribution to LEA's on an equalization basis to be used for public school capital outlay including principal and interest on bonds for capital outlay indebtedness created since July 1, 1947. Funds are allocated among school districts on an equalization basis except for a guarantee clause which provides that each county will receive as much in State capital outlay funds as was received for the 1950-51 fiscal year provided that amount is not more than was received in FY 1960-61 per pupil in average daily attendance.	State and Local Share The cost of the State program for capital outlay as a whole and for each LEA is determined on the basis of a per capita amount per pupil ADA during the preceding school year. Forty-two and one-half percent (42½%) of the aggregate cost of the State capital outlay program is assumed to be available locally. Each county's share of the assumed

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
	local support of the program is determined by applying to 42½% of the program the county's percentage of the total assessed property valuations in the State (adjusted in each case by property equivalents for TVA payments in lieu of taxes). The amount thus determined is subtracted from the cost of the capital outlay program for the county and the remainder is the amount of State capital outlay funds which the county including all LEA's therein is to receive. If this amount is not equal to the guaranteed amount, the additional amount is paid also. School District Participation All participate.
CAPITAL OUTLAY, COMPREHENSIVE VOCATIONAL-TECHNICAL EDUCATION (T.C.A. 49-2709) Level of Funding $204,500,000* The Comprehensive Vocational-Technical Act of 1973 directed that comprehensive vocational and technical education be made accessible to all high school students and planned to serve at least fifty percent (50%) of the students in grades nine (9) through twelve (12). The Act provided also that all capital and operating costs be borne by the State to the extent of the appropriations for such costs. Chapters 410 and 652 of the Public Acts of 1974 authorized the sale of $197,000,000 general obligation State bonds and allocated the proceeds to the State Board of Education for acquisition, construction and equipment of sites and buildings, including	State Share - 100 percent On the basis of a survey by the State Department of Education of each county, including the city and special school districts therein, to determine the needed expansion of vocational-technical education programs, the facilities are planned by the State Board of Vocational Education in terms of one of the following alternatives:

Name of Program; Legal Citation; Amount Appropriated for 1978-79; Percent of State Funds Allocated; Percent of Total State and Local Funds Allocated; Program Description.	Calculation of State and Local Share of Program Cost; Extent of School District Participation.
the acquisition of existing structures and expansions, improvements, betterments and extraordinary repairs to existing structures as necessary for existing and newly created area vocational-technical centers, comprehensive high schools and vocational training centers. In addition to the $197,000,000 in bond funds, $7,500,000 had already been appropriated for expansion of vocational education facilities. A total of 183 new facilities plus seven (7) equipment only projects have been approved. An additional five (5) facilities were in the planning stage at the beginning of the 1979-80 school year. The operation of the facilities is by local boards of education or as joint facilities by two or more local systems. *One-time appropriation for completion of this program.	(a) Comprehensive high schools (1500 students or more) (b) Existing area vocational-technical schools (c) Vocational training centers (LEA's with two (2) or more high schools that cannot be served under (a) or (b) above) (d) Joint facilities (to serve two (2) or more counties or school systems) (e) An alternate delivery procedure to any of the four described in (a) through (d) Generally, the State builds the facility and turns the facility over to the appropriate local education agency. School District Participation All participate.

LOCAL SUPPORT, 1978-79

		Percent of Local	Percent of State-Local
Total Local	$452,000,000	100%	48%

The Tennessee Local Support Program

Tennessee relies almost equally upon local tax revenues not equalized by the State and upon revenues provided by the State or equalized by the State for the resources available to LEA's for the support of the public schools, K-12. Of an estimated total of $452,000,000 of local tax revenues allocated by local governmental agencies for the public schools an aggregate amount of approximately $47,800,000 is equalized under the State foundation program. (See "State Support, 1978-79" above). The remaining $404,200,000 is provided from local revenues derived approximately two-thirds from property taxes and one-third from local option retail sales or other miscellaneous taxes and licenses. This heavy reliance on local resources unequalized by the State for essential expenditures for the public schools is largely responsible for the wide disparities among LEA's in the resources available for the education of children and youth (See Chart I, page 9 and Table 2 in the appendix). Local revenues not equalized by the State could be regarded as equalized to the extent that an equal effort raises equal resources per pupil unit of need in every school district. However, the same effort in a district having relatively more taxable property value per child produces relatively more revenue from the property tax than a district having less taxable property. Likewise a district having relatively more retail sales can produce more revenue per pupil from the local option tax than a district with relatively less retail sales.

Meeting urgent educational needs (and to a more limited extent legal requirements) makes it essential that the local governmental agencies raise from local tax sources unequalized by the State almost as much school revenue as is provided from the State funds and State equalized local funds. Examples of these pervasive necessary expenditures beyond the State supported programs are as follows:

- By legislative mandate each LEA must provide from local funds an $850.00 per school year salary supplement (above the State salary schedule) for all certificated teachers with a degree.

- Data presented in the annual statistical reports of the Tennessee State Department of Education show that:

  1. In 1964-65 the State allocation for transportation amounted to 78.8 percent of the $12,770,600 of actual expenditures and in 1976-77 only 34.2 percent of the $40,828,970 spent.

  2. In 1964-65 the State allocation for maintenance and operation amounted to 35.3 percent of the $22,665,990 of actual expenditure and in 1976-77 to only 9.7 percent of the $93,148,693 reported spent.

Provisions for Raising School Revenue

Property assessment: Property valuation for tax purposes are established by local assessors elected by the people. The county board of equalization may correct assessments and the State Board of Equalization may adjust valuations for the purpose of making them more equitable on a statewide basis.

Operating and intermediate districts: Each of the 95 counties operates a local education agency covering all or part of the county. Thirty-four counties contain one or more city or special school districts for which the county serves as intermediate district.

Provisions for School Indebtedness

Authorized bond issues: School bond issues are authorized by the county or city fiscal body rather than by the board of education.

Limitations on issuance of bonds: The general law provides that the county school bonds shall be due and payable in not more than 40 years from the date of their issuance. Both serial and sinking fund bonds may be issued.

Limitation on debt: Under statutory law, school bonds may be issued by a county for school capital outlay purposes without any specified dollar limitation. In addition to this law, but in no way limited by it, are two public works acts, one for counties and one for municipalities, under the authority of which bonds may be issued for school purposes without dollar limitation and without a referendum vote, provided certain other requirements are met. Among such other requirements is one that no vote of the qualified electors upon a proposition for the issuance of such bonds by a county or municipality shall be necessary if the initial resolution is adopted by a majority of the members of the governing body of such county or municipality, unless within 10 days from the date of the publication or posting of the initial resolution, so adopted, a petition signed by at least 10 percent of the qualified electors of the county, or 10 percent of the qualified electors of the municipality, shall have been filed with the clerk of the county, or the clerk of mayor of the municipality protesting the issuance of such bonds.

In addition to these authorizations, counties or municipalities may issue bonds for school capital outlay purposes when authorized by a special act of the Legislature.

Voting requirements: If the Legislature by special act authorizes a county or a city to issue bonds for school purposes, the legal requirements included in such special act control the issuance of the school bonds. Such special act may authorize the fiscal body to issue bonds without a referendum vote or it may provide for the issuance of bonds only after voter approval.

Approval and sale of bonds: Under the general statutes, no State agency is required to approve the issuance of bonds. It is not required that bonds be offered first to the retirement system or to any other State agency and the State does not assist with the sale of bonds. Funds from the sale of bonds may be invested until needed.

Bond records, tax levies, and payments: When bonds are issued for county school purposes, the obligation is that of the quarterly county court and not the county board of education. Therefore, any tax levied for the liquidation of indebtedness is in the form of a special levy over and above the school tax levy. The quarterly county court is responsible for maintaining the bond records and for the payment of the bonds. In the case of cities and special school districts, the procedure must be compatible with the provisions of the city charter or the special act of the Legislature governing the special school district.

Short-term indebtedness: County boards of education are not authorized to borrow funds in anticipation of the current revenues. Such funds, however, may be borrowed by the quarterly county court on short-term notes in an amount not to exceed the unexpended balances in the school budget, and not to extend beyond the end of the fiscal school year. Indebtedness which cannot be paid during the current school fiscal year may be refunded, if properly authorized. Indebtedness procedures for cities and special school districts depend upon their city charter or special statutory provisions.

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FEDERAL SUPPORT, 1978-79

Name of Grant; Legal Citation; Estimated Amount for 1978-79		Grant Description; Requirements; School District Participation
*Total Estimated Amount	$152,000,000	
ESEA Title I Compensatory Education (P.L. 89-10, P.L. 93-380)		
Estimated Amount	$ 60,152,425	

*This estimated total amount is projected from actual 1976-77 figures and includes approximately $8,000,000 in miscellaneous Federal grants, other than those listed, that are received either directly by LEA's or through the State.

Grant Description and Requirements. ESEA Title I provides financial assistance to local educational agencies for programs to meet the special educational needs of educationally deprived children in low-income areas; to State agencies to meet the special educational needs of handicapped, neglected, or delinquent children; to State educational agencies for educational programs for migratory children of migratory agricultural workers or of migratory fishermen; and to such agencies for administration of financial assistance provided under Title I.

The amount each LEA receives shall be determined by multiplying the number of children in each category by forty percent (40%) of the average per pupil expenditure in the State. If the State average per pupil expenditure is less than eighty percent (80%) of the national average, the amount is calculated by multiplying the number of children by eighty percent (80%) of the national average. If the State average per pupil expenditure is more than one hundred twenty percent (120%) of the national average, the amount is the number of children times one hundred twenty percent (120%) of the national average per pupil expenditure. Educationally deprived children enrolled in private elementary and secondary schools are eligible to participate in these funds.

School District Participation. All 148 LEA's participate.

Name of Grant; Legal Citation; Estimated Amount for 1978-79	Grant Description; Requirements; School District Participation
ESEA Title IV.B. Library/Learning Resources (P.L. 93-380) Estimated Amount $ 3,047,800	Grant Description and Requirements. ESEA Title IV B funds can be used for guidance counseling, testing, instructional materials and books. Distribution to LEA's is based on three criteria: (1) tax effort - 15% of available funds; (2) high cost children - 20% of funds; (3) total enrollment in public and private schools - 65% of funds. School District Participation. All participate.
ESEA Title IV.C. Innovative Programs (P.L. 93-380) Estimated Amount $ 4,157,200	Grant Description and Requirements. LEA's can apply for these funds on a competitive basis to establish new programs. At least fifteen percent (15%) of the total amount received must be spent on the handicapped. School District Participation. In 1977-78, seventy-seven (77) LEA's participated in these funds.
Education of the Handicapped, Title VI (P.L. 93-380; P.L. 94-142) Estimated Amount $ 6,475,400	Grant Description and Requirements. Funds are distributed to LEA's for special education programs and related services for the handicapped. To receive such funds LEA's must have ongoing programs to locate, identify, and serve handicapped students. School District Participation. All participate.

FEDERAL SUPPORT, 1978-79

Name of Grant; Legal Citation; Estimated Amount for 1978-79	Grant Description; Requirements; School District Participation
Federally Impacted Areas, Title I and IV (P.L. 81-874) Estimated Amount $ 9,500,000	Grant Description and Requirements. Under P.L. 81-874, LEA's may receive financial assistance for reduction of tax base through ederal acquisition of real property; a substantial increase in ADA as a result of federal activities; education of children residing on federal property; education of children whose parents are employed on ederal property or in the Uniformed Service; major disaster assistance by replacing or repairing supplies, equipment, or facilities; and education of refugees. School District Participation. In 1976-77, ninety (90) LEA's participated.
Vocational-Technical Education (P.L. 94-482) Estimated Amount $ 5,926,000	Grant Description and Requirements. The Vocational Education Amendments of 1976 provide funds on a federal-State matching basis to maintain, extend, and improve existing programs of vocational education, to develop new programs of vocational education, to develop programs to overcome sex sterotyping and to provide part-time employment for youths who need earnings from such employment to continue their vocational training on a full-time basis. Program areas include work-study; program improvement and supportive service, vocational guidance/counseling; personnel development; special programs for disadvantaged; handicapped (at least ten percent (10%) of total funds); disadvantaged limited English speaking; consumer and homemaking programs in economically depressed areas; and ancillary services. Priority for approval of programs is determined by three factors: economically depressed areas, areas

Name of Grant; Legal Citation; Estimated Amount for 1978-79	Grant Description; Requirements; School District Participation
	with high rates of unemployment, and ability to provide resources. The procedure for allocating funds to LEA's considers relative ability to pay, concentration of low income families, the size of the labor force and the target population age group. School District Participation. In 1977-78, one hundred twenty-nine (129) LEA's and the four (4) totally State supported special schools participated in these funds.
Title II of the Indo-China Refugee Children Assistance Act of 1977 (P.L. 93-380) Estimated Amount $ 91,000	Grant Description and Requirements. Persons must be between the ages of six (6) and sixteen (16) and must possess a refugee identification number to be eligible for these funds which are distributed $300 per student to LEA's. If an LEA has over one hundred such persons enrolled in either private or public schools, the amount is double. School District Participation. In 1977-78, twenty-one (21) LEA's participated.
Educational Television (P.L. 90-129) *Estimated Amount $ 153,088	Grant Description and Requirements. The Public Television Broadcasting Act established the Corporation of Public Broadcasting (CPB) to channel federal operating funds to public television and radio stations. CPB allocates a base Community Service Grant of $107,000 to each public television station and an additional amount equal to fifteen percent (15%) of the State appropriation for Educational Television. Tennessee receives three such Community Service Grants. Classroom instructional costs represent 38.6% of the total costs of operating these public stations.

*This amount is 38.6% of the total grant for Educational Television.

Name of Grant; Legal Citation; Estimated Amount for 1978-79	Grant Description; Requirements; School District Participation
Food Service Program (P.L. 91-248) Estimated Amount $ 54,953,200	Grant Description and Requirements. Funds are provided to LEA's to lower the cost of meals for all students, to provide free or reduced-price meals for some students, to provide free milk and to improve food services through the purchase of equipment for storage, transportation and preparation of food. Funds are distributed according to rules and regulations of the U.S. Department of Agriculture, as approved by the State Commissioner of Education. School District Participation. In 1978-79, all except one (1) of the 148 LEA's participated. All LEA's will participate in 1979-80.

SECTION II

RECOMMENDATIONS FOR CHANGE IN THE TENNESSEE PUBLIC SCHOOL FINANCE PROGRAM

The purpose of this section is to outline in general terms recommended changes in the State program of financial support. These changes are considered to be necessary or desirable in order to help achieve equality of educational opportunity for all children in attendance at the schools of local education agencies (LEA's) of the State. The proposed changes are presented in a format describing the improvements that are needed with one or more alternatives for accomplishing the changes.

CRITERIA FOR EVALUATION

Guidelines used in developing the proposals for change are as follows:

Adequate Educational Programs. The State should determine the level of educational programs and supportive services which it considers to be adequate to assure equal educational opportunity for all pupils enrolled in the public schools of the State.

Cost Variations. In determining relative financial need the financial support plan should make appropriate provision for: (1) identifying pupils with varying educational needs; (2) taking these needs into account in the amounts provided and expended for appropriate educational programs, supportive services and facilities; and (3) taking into account variations among local agencies in costs for providing equivalent educational services due to such factors as sparsity, density, the socio-economic composition of the population, and costs of resources.

Comprehensiveness of Program. The financial support plan should be designed to include all necessary and required program, supportive services, and facility costs such as, but not limited to, costs for: (1) regular educational programs, special educational programs, vocational education programs, and guidance and counseling programs; (2) pupil transportation and operation

and maintenance of facilities; and (3) capital outlay and debt services for school facilities.

Equalizing Financial Ability. The public school finance program should assure that the financial resources expended for educational programs, supportive services, and facilities for pupils within the State is a function of the wealth of the State as a whole rather than of the wealth of the local educational agency in which the pupils happen to reside. To determine the sharing of educational costs between the State and the local educational agencies the State should utilize an equitable measure of the relative taxpaying abilities of the local educational agencies. Also, the State and local educational agencies should apply procedures to assure uniformity in property assessments against which taxes for education are levied.

Tax Support. The public school support program should be financed by a tax system that is equitable, efficient, and productive and that contributes to the economic development of the State.

Educational and Financial Decisions. The plan for financing public schools should encourage citizen interest and participation in the education decision-making process.

Educational Efficiency. The financing plan should encourage efficiency in the size and organization of schools and school districts and in the delivery of educational programs and supportive services as a means of promoting equality of educational opportunities.

Evaluation and Further Planning. The financing plan should include arrangements for continuously evaluating the degree to which its objectives are being achieved and for planning further improvements.

THE TENNESSEE FOUNDATION PROGRAM

The new Tennessee Foundation Program (TFP) enacted by the General Assembly in 1977 made significant improvements in the measures and procedures for determining educational needs and costs to be supported by the State equalization program. These improved measures and procedures define in financial

terms the foundation program provisions for: (1) meeting the educational needs of children and youth in the public schools; and (2) determining the relative ability of the counties of the State to provide a share of the State-local equalization program.

Measurement of Educational Need and Cost. Tennessee's new foundation program has placed the State in the front ranks among the states that are making progress in developing comprehensive financial measures of educational costs based directly on the educational needs of the children to be educated. The new foundation program makes provision for annually establishing or reestablishing both instructional programs to be funded and program cost differentials to meet academic and vocational education needs and to meet various special needs of pupils with handicaps. This structure is sound and is based on principles of equity. It can be built upon to make greater progress in equitably financing a program of education that the parents and citizens of the State feel is appropriate to provide the educational opportunities desired for children and youth. On the basis of cost studies and evaluations of program needs conducted on an annual or other appropriate regular basis, the need for changes in programs and in cost differentials can be reevaluated by the State Board of Education and taken into account by the General Assembly in making appropriations.

Problems and Issues. The progress which has been made in improving the foundation program measures and procedures is a useful and perhaps necessary pre-condition to solving the deeper equity problems which exist relating to meeting the educational needs of all of Tennessee's children and youth. These problems stem largely from factors outside the new weighted pupil measures. The first is the fact that only a relatively small portion of the local tax revenues upon which Tennessee depends for approximately 48 percent of the support provided for the public schools is equalized by the State. This heavy dependence upon local tax revenues unequalized by the State results in unacceptably wide disparities in the resources per pupil available to local school districts to provide necessary instructional and supportive services. (See Chart I, page 9) The major reason for the disparities is that the local taxpaying ability per child in the least able districts approximates only one-fourth of the taxpaying ability of the most able districts.

A second major problem closely related to the first is the fact that the present base support level under the foundation program ($342 per pupil in 1978-79 and approximately $366 in 1979-80) plus State and federal supplements is inadequate to meet the expenditure requirements of the local education agencies for the public schools. An analysis of expenditures in 28 sample districts containing slightly more than one-half the public school enrollment in the State showed an average expenditure in 1979-80 of $832 per pupil.[1] (For footnotes, see Section IV, A.) The low level of State-local equalized support in the present foundation program necessitates the present heavy dependence by local education agencies upon local tax revenues unequalized by the State to meet necessary and justifiable costs of essential educational services. All programs are affected by the present low level of base support. Presently the regular academic programs are most acutely affected.

Other problems have been identified. The cost study previously mentioned indicates that 50.8 percent of the costs for 1977-78 of regular academic programs was provided from local tax funds unequalized by the State, while 39.3 percent of the costs of special education programs for the handicapped and 31.6 percent of the costs for vocational programs were provided from local tax funds unequalized by the State. Differences among programs in their dependence upon local tax funds unequalized by the State are caused by the following factors: (1) the TFP program cost differentials do not quite represent actual proportions of average costs of the various programs; (2) the training and experience (T&E) adjustment factor generally favors districts that are able and willing to supplement salaries and districts in close proximity to teacher training institutions; and (3) more State and federal supplemental funds are allocated to some programs (e.g. vocational programs) than to other programs.

The State is to be commended for the commitments it has made toward fully funding the justifiable costs of vocational education and of education for the handicapped. Considerations of equity and of the importance of academic education in providing basic skills and fundamental knowledge suggest the need for providing also in the TFP for fully funding justifiable costs of academic programs.

Recommendations for Change. The State should build upon the equity principles incorporated in the foundation program by substantially and appropriately reducing the disparities among the school districts in the levels of available financial resources per pupil. The goal should be to fund within five years in the foundation program all of the justifiable costs of the educational programs and supportive services which are deemed to be necessary and desirable in order to provide appropriate and equal educational opportunities for all pupils enrolled in the public schools. This should be accomplished by raising the levels of support per pupil in districts with low taxpaying ability. The basic idea here is to achieve equalization of educational opportunity by leveling up, not by leveling down and merely sharing inadequate resources more equitably. Steps considered essential in order for Tennessee to achieve and maintain acceptable levels of equalization of educational opportunity include: (1) to determine formally within two to three years the educational programs and supportive services which the citizens of the State deem to be necessary and desirable for all children and youth enrolled in the public schools; (2) to determine the justifiable and appropriate cost differentials for these programs and services; (3) to provide in the TFP funding adequate to cover on an equalization basis all justifiable costs for the State defined adequate programs; and (4) to maintain and update regularly these educational programs and supportive services.

There are alternative approaches by which needed equalizing could be accomplished. The recommended alternative most consistent with the new Tennessee Foundation Program is to increase the base cost allotment per weighted pupil in the TFP from the present levels ($342 in the 1978-79 school year and approximately $366 in 1979-80) to an amount which will support the level of educational programs and supportive services which the General Assembly considers to be adequate to assure equal educational opportunities for all the pupils enrolled in the public schools of the State. The State should set a goal of reaching this level of funding within five years. Pending formal determination by the State of the costs of the adequate educational program to be funded on an equalization basis, the average cost per pupil during the preceding school year of the various programs established under the TFP

should serve as the standard for funding the public schools on an equalization basis. This alternative would involve equalizing with State funds within the TFP unequalized local tax effort now outside the TFP. Moving within the TFP local tax effort presently outside the TFP and equalizing it would involve adjusting the present overall local share of the TFP upward from the present 10 percent to something between 25 and 40 percent.

A less desirable alternative to including in the TFP all necessary and desirable costs of the State defined "adequate" program (thereby reducing disparities in resources per pupil among districts) would be for the State to guarantee (up to the level of the "adequate" program) a uniform yield for tax effort made outside the foundation program. Such an approach would protect taxpayers but would not necessarily assure "adequate" financial resources for children.

The program cost differentials for all programs should reflect as accurately as possible actual needs and costs for each program. Program parity should be improved by increasing funding for programs that are disproportionately low but not by taking amounts presently allocated to any one program to adjust another. When the adequate programs proposed above are fully funded on an equalization basis, the training and experience (T&E) adjustment factor will no longer be needed since the cost differentials can include costs for training and experience in the same manner as all other elements of cost.

Other changes are needed. Data suggest the need to provide in the TFP an appropriate cost differential to reflect high overhead administrative costs in small counties. The financial resources required to fund the present and any future mandated salary supplements at the local level should be equalized by the State. This would best be done by including amounts equal to such supplements in the basic State salary schedule and including the funding in the TFP under the base program costs and cost differentials. It is recommended also that the costs for textbooks and sick leave for teachers be included within the TFP along with all other necessary instructional program costs.

It should be noted also that an effective program cost accounting system at

the school and school district levels is a fundamental requirement: to determine accurately the fiscal requirements for meeting educational program needs; to allocate the necessary resources; to monitor program implementation; to evaluate the results; and to plan improvements. The project now under way in the State Department of Education to develop such a system and its installation should be completed and implemented with all deliberate speed.

The guarantee provision in the present Tennessee Foundation Program has the effect of providing some LEA's additional State funds beyond the amount per weighted pupil justified by the measures of need included in the equalization program for pupils in other school districts. Such "guarantees," however helpful to individual districts in easing the transition from one procedure for allocating funds to another, do not contribute to equity among school districts. If allowed to continue over a long period of time, they result in the provision of unjustified benefits to pupils in some school districts. Accordingly this guarantee and all similar ones should be phased out preferably in three years from the time of enactment.

Relative Taxpaying Ability of Counties. Equitably and accurately determining the relative ability of counties to provide a share of the overall local contribution to the cost of the foundation program is an essential element under the Tennessee State-local partnership of support for the public schools. The present measure, which replaced the economic index in use between 1955 and 1977, is based upon each county's proportionate share of the total assessed valuation of taxable property in the State (adjusted in each case for property equivalents of T.V.A. payments in lieu of taxes). Selection in 1977 of the measure based on assessed valuation of property seemed a logical choice since historically property has represented the bulk of the local tax base. However, the local option sales tax (Chapter 329, 1963 Tennessee Public Acts) has assumed the position of supplying approximately one-third of the local funds for the public schools. Property tax and local option sales tax revenue together contribute approximately 97 percent of local government revenue for the public schools. The adjusted assessed valuation of taxable property measure does not accurately reflect taxpaying ability of counties derived from the local option sales tax. Furthermore data available from

the Division of Property Assessments indicate that property is still not uniformly assessed among counties of the State.

Recommendation for Change. A more accurate measure of the relative taxpaying ability of the counties should be adopted. The following changes in this measure should be made:

1. Correct the present county adjusted property valuations with sales ratios determined through studies of the ratio of bona fide sales of property to the assessments for the preceding three years, determine each county's percentage of the State total and double this.
2. Determine each county's percentage of State sales tax collections for the preceding three years.
3. Combine the amounts determined in one (1.) and two (2.) above and divide the sum by three. For any county the resulting percentage would be that county's percentage of relative taxpaying ability.

STUDENT TRANSPORTATION SERVICES

The formula enacted in 1977 for allocating to LEA's State appropriated funds for student transportation represents an improvement over the formula in use prior to that time. However, some problems remain. First, the level of State funding in relation to actual cost of transportation services is lower than for other elements of the State support program. In fact, the share of total cost of pupil transportation provided from State funds has steadily decreased during recent years. For example, in 1964-65 the $10,074,157 allocated to LEA's for pupil transportation services represented 78.9 percent of the $12,770,599 spent by LEA's for these services. In 1970-71 the $11,247,536 distributed to LEA's by the State for pupil transportation services represented 57.7 percent of the $19,502,921 spent by the LEA's for these services. In 1976-77 the $13,900,018 allocated by the State represented only 34.3 percent of the $40,828,970 reported operational costs for student transportation that year. In 1976-77 estimated replacement costs amounted to an additional $5.6

million. Thus on the average local educational agencies must rely upon local tax funds unequalized by the State to provide almost two-thirds of the necessary costs for student transportation. This places a heavy burden on the counties with least local ability to pay taxes. An evaluation of the present allocation formula and of variations among the Tennessee school districts in per pupil costs of transportation was made for the Tennessee School Finance Equity Study Project by a nationally recognized authority.[2] This evaluation indicates that while the present State allocation formula correlates with actual costs it does not correlate with the actual cost of student transportation as well as allocations under other alternative formulas considered. The analysis indicates also that in general the present formula if funded on a full cost basis under allocates to the metropolitan counties and over allocates to counties transporting a small number of pupils.

Recommendations for Change. Pupil transportation is vital to the equalization of educational opportunity and should be funded as equitably and as adequately as other parts of the State equalization program. To this end, in addition to increased State funding, the State should make further improvements in the procedure for allocating State funds for pupil transportation services by adopting one of the two formulas for allocating State school transportation funds proposed in the school transportation study mentioned above. The guarantee that each county must be provided State allocations for student transportation services of not less than one hundred percent (100%) of the amount received in 1976-77 should be phased out entirely within a period of three years. If measures of need and cost are inadequate or inequitable, they should be improved directly; they cannot be corrected appropriately through guarantee clauses.

CAPITAL OUTLAY

Tennessee's program for capital outlay for the public schools was initiated as an "overage" arrangement established in 1947 in the State's first retail sales tax act to provide for disposition of any revenues in excess of official estimates. The present type of equalized distribution was adopted in 1955. Since 1949-50 State capital outlay funds have amounted to approximately one-fifth of the aggregate capital expenditures of LEA's. In addition to the

above capital outlay program the General Assembly in 1974 authorized the issuance of general obligation State bonds in the amount of $197,000,000 with the proceeds to be used by the State Board of Education to provide the entire cost of needed vocational facilities for vocational-technical centers, comprehensive high schools and vocational training centers. The need of each county including the city or special school districts therein for the facilities was to be established on the basis of surveys by the State Department of Education. This procedure represented a departure from past practice in that for the first time the State is providing all of the capital outlay funds for one particular program area (vocational-technical education programs) and the State Department of Education is charged with conducting county-wide surveys to determine school facility needs in relation to pupil needs for these instructional programs.

To the extent very limited staff resources permit, the State Department of Education provides leadership and consultative services for LEA's for all aspects of school plant planning. Some long range comprehensive surveys of school facility needs are conducted upon invitation of the local boards through the superintendents. The number of such surveys is quite limited, however. Most systems do not have effective up-to-date long range plans to determine school plant needs in relation to instructional program needs of pupils. Without comprehensive surveys and long range planning it is not feasible for this study to evaluate fully the equity of the present support program. Current and emerging problems such as those relating to the need for more energy efficient buildings and for eliminating danger from airborne asbestos fibers only underscore the already urgent need for such planning.

Recommendations for Change. As a basis for planning and implementing an improved school facilities support program the State should establish and use a formal planning procedure for determining present and projected school facility needs for the educational programs and supportive services which the State determines are necessary and desirable to provide equal educational opportunity for the pupils enrolled in the public schools. Such a procedure might be adapted from the one used to determine vocational facility needs. As a minimum the procedure should be:

1. To develop and implement county-wide and district surveys of school facility needs in relation to educational program needs throughout the State and to keep the surveys current on an annual basis.

2. To establish, maintain and utilize a complete computerized inventory of school plant facilities for each school district in the State.

The guarantee provision in the capital outlay equalization program has the effect of providing for thirty-two (32) counties additional amounts in State capital outlay funds ranging from eight cents ($.08) per pupil in Smith County to $45.28 per pupil in Pickett County. These amounts are in addition to the full fair share of State capital outlay funds received by each county under the State capital outlay equalization program. Additional funds under the guarantee provision date back to 1950-51 and cannot be justified in terms of equity. This guarantee should be removed.

THE STATE-LOCAL TAX SYSTEM

Tennessee does not have a broad based personal income tax but relies largely upon State and local sales taxes and local property taxes for the support of public education. Because the State does not employ a broad-based progressive individual income tax its State-local tax base is highly regressive, relatively unresponsive and inequitable when compared with the average state.

An evaluation of the Tennessee State-local tax system was made for the Tennessee School Finance Equity Study by nationally recognized authorities associated with the Center for Business and Economic Research, College of Business Administration, The University of Tennessee.[3] The evaluation resulted in proposals for tax reform directed toward: (1) providing adequate revenues that would grow at least as fast as the State's economy; (2) distributing the tax burden (incidence) proportionately among individual taxpayers, properly balancing the taxing responsibilities among the State and the local subdivisions and between individual and business taxpayers; (3) allowing only a minimum of interference with the market allocation of the State's productive resources; and (4) minimizing the costs of administration and compliance.

The findings of this study as well as those of the Tennessee Tax Modernization and Reform Commission which preceded it point to the need for a better balanced tax structure by including in the State-local tax base personal income along with consumption and property.

Recommendation for Change. In order to achieve a more equitable State-local tax system appropriately balanced between sales, property and income taxes and in order to fund fully in the foundation program on an equalization basis the educational opportunities which the citizens of the State deem adequate to meet the needs of pupils in the public schools of the State - it is recommended that the State: (1) adopt a broad based individual income tax, and (2) give careful consideration to making the changes in the present consumer and property based tax system proposed in the tax study conducted as a part of this project. The purpose would be to create a tax system that will bear equally on all taxpayers including business firms.

SECTION III

CONFORMANCE OF RECOMMENDED CHANGES TO EQUITY GUIDELINES

The guidelines accepted as a basis for developing proposals for changes in Tennessee's present State equalization plan are set forth in the early paragraphs of Section II. These guidelines are essentially those developed by the U.S. Commissioner of Education in conformity with the provisions of Section 842, Public Law 93-380, adapted somewhat to emphasize future planning. The conformance of the proposed changes to the guidelines is discussed below very briefly under the various guideline paragraph headings. In most cases this conformance will be obvious from reading Sections I and II and does not need amplification in this section.

Adequate Educational Programs. Present requirements and authorizations for establishing educational programs under the TFP and for determining cost differentials thereof appear to be broad enough that the State Board of Education could determine and recommend to the General Assembly levels of educational programs and supportive services considered adequate to provide equal educational opportunities for the pupils enrolled in the public schools. There is, however, no official provision or mandate for the State Board of Education to do so. The State Board of Education is required to establish programs and to determine a base cost and cost differentials for programs at levels that can be funded within the available annual appropriation. Also, the State Board of Education adopts rules and regulations including standards which LEA's must meet in order to qualify for State funds. The importance of determining the programs and supportive services considered to be adequate to provide equal educational opportunities is emphasized in the recommendations in Section II.

Cost Variations. The present financial support plan makes reasonably appropriate provisions for identifying pupils with varying educational needs and for taking these needs into account in the amounts allocated from the available appropriations.

Comprehensiveness of Program. From the description in Section I it is apparent that Tennessee's present equalization plan is not designed to include all necessary and required educational program, supportive services, and facility costs for essential educational programs. The proposed changes would help to correct this.

Equalization of Financial Ability. The recommendations for changes include alternatives which should be considered in correcting deficiencies in the present procedures and arrangements for equalizing financial ability.

Tax Support. Evaluations of the Tennessee State-local tax system have indicated that further improvements are needed for the purpose of making the tax system more equitable, adequate, economically efficient and simpler to administer. The recommendation in Section II is intended to encourage careful consideration of the tax reform proposals developed from this evaluation and the recommendations of the Tennessee Tax Modernization and Reform Commission as a basis for making needed improvements.

Educational and Financial Decisions. Tennessee has a long history of broad interest and participation by citizens in decision making processes relating to education. Over the years numerous self-study evaluation and planning efforts have been conducted. These traditional processes are continuing in this effort.

Educational Efficiency. The present State financing plan tends to promote efficient organization of schools and school districts by avoiding for the most part cost differentials that would support or encourage inefficient size and organization. The recommendations propose to remove one important exception to this, that is, the long term guarantee or "grandfather" clauses.

Evaluation and Further Planning. Generally the present legally authorized or required procedures in the TFP encourage continuous evaluation and planning. The recommendations in Section II are intended to strengthen and extend this process.

SECTION IV

SUPPORTING STUDIES, ACTIVITIES AND HEARINGS

A. Studies

Access to Educational Resources in Tennessee by Frank H. Yates, Jr. and Benjamin H. Brown, Jr. The Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An analysis of existing disparities in the equity, adequacy and accessibility of programs of education among local education agencies in Tennessee.

[1] Cost of Educational Programs in Tennessee by Nelda H. Cambron and James A. Hale with Kern Alexander, Study Coordinator, University of Florida. Prepared for Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An analysis of the cost relationships among educational programs funded through the Tennessee Foundation Program based on 1976-77 and 1977-78 data from a 28 district selected sample.

Fiscal Need Factors in Relation to Financing Public Education in Urban, Suburban, and Rural School Systems by William P. McLure, College of Education, University of Illinois. Prepared for Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An examination of available comparative data on fiscal need factors critical in equitably financing public education and factors with varying or unique implications among urban, suburban, and rural school systems in Tennessee.

Local Government Ability in Taxation and Educational Finance by William C. Goolsby and C. Warren Neel, Center for Business and Economic Research, University of Tennessee, Knoxville. Prepared for the Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An analysis of local government ability and effort in taxation and educational finance with an alternative approach to financing public school programs in Tennessee.

The Fiscal Capacity and Effort of Tennessee Counties to Support Programs of Public Education by Benjamin H. Brown, Jr. The Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An analysis of the fiscal ability and effort of counties in Tennessee to support public education with suggested formulas for measuring relative ability to pay.

[2] The Funding of School Transportation in Tennessee by Roe L. Johns, The Educational Finance and Management Institute, Inc., Gainesville, Florida. Prepared for the Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An analysis of school transportation costs and State funding of school transportation costs in Tennessee with alternative formulas for the allocation of State funds for school transportation.

[3] The Tennessee State-Local Tax System With Reform Proposals by Kenneth E. Quindry, Arthur C. Bayer, William C. Goolsby, C. Warren Neel, Niles Shoening, Center for Business and Economic Research, University of Tennessee, Knoxville. Prepared for the Tennessee School Finance Equity Study, Tennessee Department of Education, Nashville, 1978-79.

An analysis of the existing tax structure in Tennessee with suggested changes which might improve both tax equity and the distribution of funds to the public schools.

B. Activities

A hearing on the State Equalization Plan for Tennessee Public Schools, Grades K-12, was held at the Superintendents' Study Council, Gatlinburg, Tennessee, September, 1978. The Progress Report of the Tennessee School Finance Equity Study was presented to the Superintendents' Study Council, Gatlinburg, Tennessee, September 1979. During 1978-79, the Project staff developed numerous analyses and simulations relating to alternatives for equitably funding public education.

C. Background Activities and Hearings

Tennessee's foundation program for the funding of public education, grades kindergarten (k) through twelve (12), is contained in "The Tennessee Education Finance Act of 1977" (Chapter 289, 1977 Tennessee Public Acts). This act, passed by the Ninetieth General Assembly, was the outgrowth of a year long study conducted by a Joint Legislative Committee on Elementary/Secondary School Finance, whose activities were funded by a grant from the National Conference of State Legislatures and a State appropriation. The Committee was composed of twenty-one members, including the leadership of the Tennessee House and Senate, members of both legislative bodies, the State Commissioner of Education, and persons interested in education throughout the State.

Representative Bob Davis, Chairman of the Tennessee House Education Committee, served as Chairman of the Committee, and Senator Halbert Harvill, Chairman of the Tennessee Senate Education Committee was Co-chairman. Research for the study was performed by a staff of seven, directed by Dr. Howell W. Todd, Director of Research, Planning, and Evaluation for the State Department of Education.

The Committee met once a month for nine months (April through December, 1976) and reviewed school finance reform throughout the nation and the need for school finance reform in Tennessee. All committee meetings were open to the public and school officials and representatives from organizations interested in public education, (e.g. Tennessee Organization of School Superintendents, Tennessee School Board Association,

Tennessee Congress of Parents and Teachers, Tennessee Education Association, Tennessee Association for Retarded Citizens, League of Women Voters) were invited to attend all meetings.

On the national level, the Committee heard presentations by persons from other states that had enacted school finance reform during the past few years. These states included Florida, Kansas, Maine, Michigan, and New Mexico with the following speakers and topics:

Dr. John J. Callahan, Director, Legislators' Education Action Project, National Conference of State Legislators: "A Legislative Overview of State School Finance Reform in the 1970's"

Dr. Jack Leppert, Former Staff Director, Florida Senate Education Committee: "Alternatives in School Finance Reform"

Dr. Asa Gordon, Deputy Commissioner, Department of Education and Cultural Services, Maine: "School Finance Reform in Maine"

Dr. Henry Wugalter, Director, Public School Finance Division and Secretary of Education, New Mexico: "School Finance Reform in New Mexico"

Senator Jack Gordon, Chairman, Senate Ways and Means Committee, Florida; Representative John Bower, former Chairman, House Education Committee, Kansas; Senator Gil Bursley, Vice-Chairman, Senate Education Committee, Michigan; Panel Discussion: "The Politics of School Finance Reform"

On the State level, the Committee heard the following presentations:

Dr. Joel Shore, Assistant Commissioner, Fiscal Services, State Department of Education: "Tennessee's Minimum Foundation Program - Background, Major Inequities and Administrative Problems"

Dr. Dewey Stollar, Chairman, Department of Educational Administrations, University of Tennessee: "Indicators of State/Local Ability To Pay"

Dr. Kenneth Quindry, Research Professor, Center for Business and Economic Research, University of Tennessee: "State/Local Revenues for Education"

Mr. George Tidwell, Director, Division of Property Assessments, Office of State Comptroller: "Property Assessments in Tennessee"

Dr. Howell Todd, Project Director: "An Alternative Economic Index"

Dr. Hugh Waters, Chairman, State Textbook Commission: "Textbooks"

Mr. Vernon Johnson, Assistant Commissioner, Education of the Handicapped, State Department of Education: "Education of the Handicapped in Tennessee"

Mr. John Leeman, Assistant Commissioner, Vocational-Technical Education, State Department of Education: "Vocational/Technical Education in Tennessee"

Dr. Ernest Farmer, Director of Pupil Transportation, State Department of Education: "Pupil Transportation in Tennessee"

Dr. Joel Shore, State Department of Education: "Tennessee's Capital Outlay Formula"

Dr. Howell Todd, Project Director: "Alternative Transportation Formulas"

The viewpoint of local education agencies was presented by the following persons representing the local perspective:

Dr. James Burns, Superintendent, Tullahoma City Schools; Dr. Doyle Gaines, Superintendent, Macon County Schools; Dr. Elbert Brooks, Superintendent, Metro-Nashville Schools: "Problems With the Minimum Foundation Program"

Mr. Howard McNeese, Superintendent, Greene County Schools: "The Need for a New Method of Distributing State Funds"

Mr. Mac Buckley, Superintendent, Weakley County Schools: "Pros of ADA"

Mr. James Newman, Superintendent, Knoxville City Schools: "Pros of ADM"

Mr. Emmett Strickland, Superintendent, Franklin City Schools: "Training and Experience of Staff"

Mr. Robert Taylor, Assistant Superintendent, Chattanooga City Schools: "Problems With Implementation of the Mandatory Handicapped Act of 1972"

Mr. Terrell Ponder, Superintendent, Johnson City Schools: "Education of the Handicapped"

Mr. Bill Walker, Superintendent, Bradley County Schools: "Local Support of Vocational Education"

Mr. James Sullivan, Superintendent, Dickson County Schools: "Implementation of the Comprehensive Vocational/Technical Education Act of 1974"

Mr. James Jarrell, Superintendent, Coffee County Schools: "Problems With Funding Pupil Transportation"

Dr. Mildren Doyle, Superintendent, Knox County Schools: "Suggestions for a New School Finance Plan for Tennessee"

After proposed legislation was drafted, a public hearing for School Superintendents in the State was held at the Legislative Plaza, Nashville, Tennessee, on November 29, 1976. The Superintendents were invited to ask questions and make recommendations concerning a new school finance plan. On December 6, 7, and 8, public hearings were held in Morristown, Murfreesboro and Jackson, Tennessee, respectively. Teachers, school officials and the public were notified of the hearings, and after a presentation of the proposed legislation, "The Tennessee Education Finance Act of 1977," the floor was opened for discussion by the audience.

The Committee met again in February to make revisions in the proposed legislation. It was decided that the new transportation formula should be introduced as a separate act outside the Tennessee Foundation Program, the handicapped cost differentials were changed to an add-on 1.07 factor, and the reporting period for WFTEADA was changed to the average of the two highest of the first three months. Guarantee provisions were added to the Tennessee Foundation Program and the new student transportation formula during the legislative process of passing the bills. Except for these changes, "The Tennessee Education Finance Act of 1977" was passed in its entirety as proposed by the Joint Legislative Committee on Elementary/Secondary School Finance.

During the summer and fall of 1977, the Committee continued its work by reviewing the following topics: industrial arts and how it relates to vocational education in Tennessee; the status of property assessments in the State; the funding of special education programs; and some alternative measures of wealth for Tennessee counties. In September, Dr. Forbis Jordan, Congressional Research Department, Washington, D.C., addressed the Committee on "Equity In Educational Programs" and "An Overview of Alternative Measures of Wealth" was presented by Dr. Kern Alexander, Director, National Education Finance Project, University of Florida, in October.

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ON ELEMENTARY/SECONDARY SCHOOL FINANCE 1976

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On Elementary/Secondary School Finance 1976

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Senate Education Committee, Tennessee General Assembly

Miss Juana M. Cain, Secretary

APPENDIX

TABLE 2

REVENUES PER ADJUSTED WFTEADA[a] FOR PUBLIC SCHOOLS, 1977-78

Districts Ranked by State-Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
1 Oak Ridge	$ 298	$ 20	$	$ 24	$ 596	$ 938	$ 149	$1,087
2 Kingsport	283	35		36	569	923	69	992
3 Alcoa	284	34	20	15	534	887	64	951
4 Bristol	281	37		21	534	873	86	959
5 Davidson-Metro	265	53		30	513	861	93	954
6 Chattanooga	276	42		28	468	814	154	968
7 Memphis	279	39		25	451	794	133	927
8 Polk County	257	61	35	42	390	785	63	848
9 Murfreesboro	283	35	26	24	397	765	90	855
10 Franklin	286	32	20	19	403	760	57	817
11 Greeneville	295	23		56	378	752	54	806
12 Knoxville	287	31		31	395	744	102	846
13 Hamilton County	276	42		25	396	739	57	796
14 Sullivan County	278	39	7	27	376	727	57	784
15 Cleveland	288	30		22	372	712	67	779
16 Johnson City	289	29		30	360	708	59	767
17 Maryville	285	33		16	369	703	71	774
18 Paris	287	31	4	28	347	697	104	801
19 Etowah	289	29		25	350	693	66	759

TABLE 2 (continued)

Districts Ranked by State-Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
20 Morristown	$ 287	$ 31	$ e	$ 17	$ 350	$ 685	$ 73	$ 758
21 Sevier County	290	28		40	319	677	65	742
22 Knox County	286	32		31	325	674	55	729
23 Hamblen County	282	36	8	34	305	665	62	727
24 Moore County	278	40	45	59	242	664	81	745
25 Tullahoma	299	19		16	325	659	96	755
26 Elizabethton	302	16		27	299	644	85	729
27 Montgomery-Clarksville	300	18		35	285	638	120	758
28 Carroll County	307	11		163	156	637	362	999
29 Lenoir City	296	22		27	287	632	99	731
30 Athens	293	25		25	288	631	87	718
31 Stewart County	287	31	25	79	208	630	139	769
32 Shelby County	281	37		23	286	627	113	740
33 Trousdale County	277	41	47	53	208	626	219	845
34 Harriman	272	46		31	271	620	97	717
35 Giles County	291	27	6	40	254	618	81	699
36 Gibson County	293	25	13	58	229	618	128	746
37 Lebanon	284	34	15	19	264	616	101	717
38 Perry County	285	33	19	72	206	615	81	696
39 Humphreys County	270	48	20	49	227	614	65	679

TABLE 2 (continued)

Districts Ranked by State-Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
40 Marshall County	$ 292	$ 26	$ 3	$ 32	$ 261	$ 614	$ 65	$ 679
41 Rutherford County	288	30		38	254	610	59	669
42 Manchester	297	21	4	16	270	608	115	723
43 Loudon County	299	19		31	259	608	82	690
44 Union City	287	31		16	274	608	67	675
45 Williamson County	289	29		37	252	607	45	652
46 Henry County	290	28		37	249	604	87	691
47 Anderson County	302	16		34	246	598	185	783
48 Rogersville	298	19		18	256	591	96	687
49 Lexington	299	19	3	18	252	591	78	669
50 Rhea County	292	26		43	228	589	109	698
51 Sumner County	290	28		32	238	588	53	641
52 Morgan County	296	22		41	227	586	147	733
53 Lake County	290	27	19	42	207	585	184	769
54 Bradley County	288	30		25	235	578	70	648
55 Fayetteville	298	20	2	17	238	575	110	685
56 Hickman County	285	33		51	205	574	66	640
57 Maury County	286	32		35	221	574	60	634
58 Blount County	284	34		33	222	573	61	634
59 Smith County	289	29		47	204	569	75	644

TABLE 2 (continued)

Districts Ranked by State-Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
60 Robertson County	$ 298	$ 20	$	$ 31	$ 214	$ 563	$ 70	$ 633
61 Covington	299	19		25	219	562	300	862
62 McMinn County	294	24		32	212	562	62	624
63 Putnam County	287	31		28	215	561	85	646
64 Sequatchie County	303	15		48	192	558	90	648
65 Greene County	289	29	2	38	198	556	73	629
66 Marion County	300	18		34	202	554	93	647
67 Jackson County	295	23	20	65	149	552	132	684
68 Friendship	288	30	31	43	159	551	64	615
69 Crockett County	304	14	37	24	170	549	70	619
70 Richard City	297	21		18	213	549	72	621
71 Newport	298	20		16	214	548	57	605
72 Bledsoe County	296	22		79	150	547	114	661
73 Oneida	297	21	17	23	188	546	103	649
74 Decatur County	296	22	4	55	169	546	75	621
75 Dickson County	299	19		33	194	545	53	598
76 Grundy County	303	15		62	165	545	136	681
77 Jackson	289	29		22	205	545	130	675
78 Wilson County	289	29		36	191	545	51	596
79 Dyersburg	289	29		16	210	544	58	602

TABLE 2 (continued)

Districts Ranked by State Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
80 Dayton	$ 290	$ 28	$	$ 17	$ 209	$ 544	$ 74	$ 618
81 Washington County	289	29		27	199	544	64	608
82 Overton County	297	21		56	170	544	110	654
83 Clinton	301	17		16	209	543	86	629
84 Johnson County	299	19		41	184	543	121	664
85 Alamo	290	28	23	36	164	541	106	647
86 Cumberland County	286	32		42	181	541	101	642
87 Jefferson County	294	24		31	192	541	81	622
88 Warren County	298	20		32	189	539	80	619
89 Claiborne County	305	13		39	179	536	114	650
90 Lewis County	290	28	20	62	135	535	75	610
91 Macon County	281	37	9	48	160	535	125	660
92 Crockett Mills	291	27	38	37	141	534	65	599
93 Sweetwater	300	18		18	197	533	93	626
94 Bells	292	26	17	29	168	532	99	631
95 Van Buren County	299	19	19	68	127	532	184	715
96 Scott County	299	18		63	151	531	85	617
97 Dyer County	282	36		38	173	529	115	644
98 Haywood County	286	32	5	41	165	529	150	679
99 Hardin County	292	26	12	42	156	528	88	616

TABLE 2 (continued)

Districts Ranked by State Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
100 Atwood	$ 300	$ 18	$	$ 18	$ 189	$ 525	$ 96	$ 621
101 Union County	303	15		42	165	525	121	646
102 Coffee County	299	19		39	168	525	105	630
103 Carter County	301	17		41	165	524	102	626
104 Fentress County	296	23		60	145	524	59	583
105 McKenzie	301	17		16	189	523	161	684
106 Madison County	290	28	12	30	161	521	74	595
107 Bedford County	299	19		32	170	520	68	588
108 Wayne County	293	25	12	55	135	520	79	599
109 Franklin County	299	19		37	163	518	87	605
110 Benton County	299	19		41	157	516	77	593
111 Lawrence County	297	21		34	164	516	80	596
112 Cocke County	297	21		34	163	515	109	624
113 McNairy County	292	26		41	154	513	107	620
114 Obion County	286	32		33	162	513	82	595
115 Meigs County	287	31		51	143	512	108	620
116 Chester County	297	21		46	147	511	77	588
117 Hawkins County	299	19		35	158	511	85	596
118 Cannon County	302	16		41	151	510	98	608
119 Gadsden	290	28	15	42	132	507	73	580
120 Roane County	272	46	12	27	150	507	106	613

TABLE 2 (continued)

Districts Ranked by State Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
121 Watertown	$ 285	$ 33	$	$ 18	$ 171	$ 507	$ 1	$ 508
122 Monroe County	303	15		38	151	507	73	580
123 Fayette County	292	26		38	149	505	269	774
124 Cheatham County	300	18		36	150	504	53	557
125 Clay County	304	14	1	60	125	504	188	692
126 Campbell County	305	13		44	141	503	142	645
127 Bradford	292	26		16	169	503	140	643
128 Lincoln County	299	19		41	143	502	76	578
129 White County	299	19		35	148	501	98	599
130 Maury City	292	26	10	45	126	499	109	608
131 Hardeman County	296	22		38	142	498	111	609
132 Tipton County	297	21		41	136	495	165	660
133 Hollow Rock-Bruceton	299	19	5	17	155	495	73	568
134 Unicoi County	300	18		33	143	494	94	588
135 Lauderdale County	298	20		41	135	494	141	635
136 Pickett County	298	20		77	97	492	109	601
137 Milan	296	22		17	155	490	62	552
138 Henderson County	302	16		40	129	487	76	563
139 Humboldt	293	25		22	144	484	109	593
140 Houston County	300	18		56	107	481	93	574

TABLE 2 (continued)

Districts Ranked by State Local Funds per Adjusted WFTEADA[a]	State Share of TFP	Local Share of TFP	State Guarantee Funds[b]	State Categorical Funds[c]	Local Support Unequalized By State[d]	Total State-Local Funds	Federal Funds	Grand Total
141 DeKalb County	$ 297	$ 21	$	$ 40	$ 118	$ 476	$ 111	$ 587
142 Grainger County	299	19		41	116	475	84	559
143 Weakley County	292	26		34	123	475	68	543
144 Trenton	293	25		16	137	471	97	568
145 Trezevant	302	16		15	133	466	86	552
146 Huntingdon	301	17		20	127	465	62	527
147 Hancock County	308	10		52	88	458	199	657
148 So. Carroll County	301	17		15	122	455	94	549

[a](WFTEADA + identifed and served handicapped) x T and E factor

[b]T.C.A. 49-607

[c]Includes transportation, textbooks, leave for teachers, capital outlay, driver education, and vocational education

[d]Source: Budget Documents - 1977-78

[e]LEA received guarantee amount of less than $.50 per WFTEADA